

**Audit Committee  
Meeting Minutes  
May 12, 2011**

The Bethany Beach Audit Committee held a meeting on Thursday, May 12, 2011 at 10:00 a.m. in the Town Meeting Room.

Members present: Don Doyle, Chairman, who presided; and Monte Wisbrock.

Excused member: Thomas Defibaugh

Also present: Finance Director, Janet Connery; Internal Auditor, Philip Rossi; Councilpersons, Jerry Dorfman and Joseph Healy; Auditors from TMG Group LLC, Roy Geiser and Betsy Eicher; Administrative Secretary, Lindsey Shallcross; and other interested members of the public.

Approval of Agenda

Mr. Wisbrock made a motion to approve the agenda. Seconded by Mr. Doyle, the motion was unanimously approved.

Approval of Minutes from the January 13, 2011 Meeting

Mr. Doyle made a motion to approve the minutes dated January 12, 2011. Mr. Wisbrock seconded the motion and it was unanimously approved.

Report by Accounting Firm TGM Group LLC As To This Year's Audit

Roy Geiser of TGM Group LLC reported the following:

This is the fifth year that his auditing firm has audited the Town and everything is still running smoothly. He and Ms. Eicher completed the prep-work and planning for the audit. The field work will be done by the end of the day. Everything is moving along promptly and there does not seem to be any issues.

The Town is in good financial shape having added \$2 million in assets and there is very little debt, which is not common considering the conditions of the current economy. He added that the Town's conservative method and being proactive is a good approach to have with budgeting.

Mr. Doyle commented that the Town's management has been one of its strongest assets, adding that both Mr. Gravier and Ms. Connery have always been supportive of strengthening the internal controls of the Town. He noted that considering the current economy we should all be very pleased with the Town's strong financial condition.

Mr. Wisbrock noted that he is thankful for the Internal Auditor, Mr. Rossi for all that he does.

Mr. Geiser stated that it is very beneficial for our Town to have an Internal Auditor on its staff as well as an active Audit Committee. He said that he has reviewed our internal audit program and found it to be both effective and constructive and that our internal controls are among the best he has seen in the Towns they have reviewed.

Mr. Dorfman commented that the current CD rates are very low – not much better than those in money market accounts – and that it would be better to place them in the latter investment vehicle where they are readily available when needed. Mr. Doyle agreed, noting that today's low interest rates make money market the overall better choice.

Mr. Doyle stated that the best thing to do is to protect liquidity with a safety principal.

Mr. Healy said that he is always interested in the Other Post Employment Benefits (OPEB) account, which he believes is well funded. He added that he is never embarrassed to be over funded. Mr. Geiser responded that we are using the same OPEB study as last year since they are good for three years.

Mr. Geiser stated that there are only two small changes being made to this year's financial statements:

- Recycling will no longer be a separate fund, but will be combined with Sanitation since the Town has taken over providing this service.
- GASB 54, which requires the use of new terms in governmental funds. He said that the statements will use the terms committed, assigned and unassigned rather than restricted and unrestricted. Since this change is only for governmental funds it will not affect the Sanitation or Water Fund statements.

Bethany Beach property owner, Pat Neary, explained that the fiscal year at his other residency in Marco Island, Florida ended in September and that they are just having their audit now, adding that it is refreshing to see the speed of this audit. He said that in Marco Island they seem to have no control over purchases and high turnover. He mentioned that locally Montgomery County has been struggling and lacks controls. He concluded that he felt great comfort that the Town of Bethany Beach has such good staff.

Mr. Dorfman added that the weekly check statements are also reviewed by four people.

Mr. Geiser responded that having an active Audit Committee, Internal Auditor and Town Council is very important for avoiding such problems. He expressed that Ms. Connery also does a great job as a Finance Director.

#### Questions/Comments by the Audit Committee and Internal Auditor

Mr. Wisbrock asked the auditors if they saw any areas that the Town should be more cautious with spending.

Mr. Geiser responded that enterprise funds are self-sufficient. Fees are incurring costs including depreciation and the Town is handling large capital projects without debt. He observed the Town has received less money in grant funds than other small towns in the

past. He stated that the Town has to replace its assets eventually, but there are currently no issues.

Mr. Dorfman acknowledged that the Town of Bethany Beach is viewed by the State as a wealthy town, which is part of the reason it doesn't receive much grant funding. He added that the Town should consider setting aside money for beach replenishment in the future.

Mr. Doyle commented on the recent article in The Wave newspaper that listed Bethany Beach as seventh on an international list of best places to visit.

Mr. Rossi said that he recently reviewed the Garfield Parkway Streetscape Project, as the Audit Committee requested at the last meeting. He found everything properly approved and in good order.

Mr. Doyle expressed his appreciation to the Committee members, staff, and auditing firm for all of their hard work.

#### Adjourn

Mr. Wisbrock made a motion to adjourn the meeting. Seconded by Mr. Doyle, the motion was unanimously approved.

The meeting was adjourned at 10:30 a.m.